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TO RUEHC/SECSTATE WASHDC 0892
INFO RUEHAC/AMEMBASSY ASUNCION 6187
RUEHBO/AMEMBASSY BOGOTA 3501
RUEHBR/AMEMBASSY BRASILIA 7362
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RUEHCV/AMEMBASSY CARACAS 1878
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UNCLAS LA PAZ 002780

SIPDIS

SENSITIVE
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STATE FOR WHA/AND LPETRONI
COMMERCE FOR JANGLIN
TREASURY FOR SGOOCH

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TAGS: EMIN EINV ECON BL
SUBJECT: MORALES ANNOUNCES "SURPRISES" FOR MINING INDUSTRY

REF: LA PAZ 2046

¶1. (SBU) Summary: President Morales announced October 15 that the mining industry should expect "surprises" permitting the state to regain control of mineral production. His comments caused anxiety among U.S. mining company executives, who said October 16 that they were "nervous" about the GOB's intentions but lacked a clear understanding of the administration's plans. At this point, they said, it is impossible to determine how company operations might be affected. End summary.

¶2. (U) Bolivian President Evo Morales announced October 15 that the mining industry should expect "surprises" permitting the state to recover natural resources and regain control of mineral production. Speaking in Challapata, in the department of Oruro, Morales said the mining sector would be the "next step" in his drive to nationalize natural resources, declaring that tin, silver, gold, and other minerals "should pass to the hands of the Bolivian state." (Note: Industry representatives believe all mineral resources will be affected. End note.) Immediately afterward, new Minister of Mining Jose Dalence told the press that the GOB sought to increase its participation in all aspects of mineral production, from exploration to sale, and would consider audits and revisions of existing contracts, along with the negotiation of new contracts and significant changes to the mining code. Dalence earlier announced that the GOB would release a comprehensive mining plan October 31.

¶3. (SBU) Morales' comments caused anxiety among U.S. mining company executives, who told Econoff October 16 that they were "nervous" about the GOB's intentions but lacked a clear understanding of the administration's plans. The president's failure to provide specifics left company representatives guessing at possible changes; according to Gerardo Garrett, vice president of U.S.-based Apex Silver's San Cristobal

silver-lead-zinc mine, the GOB could take control of current projects, modify existing contracts, return unproductive mining concessions to the state, or simply follow through on earlier promises to rewrite the mining code and raise taxes and royalties (reftel). Counterparts at Coeur d'Alene and Newmont Mining subsidiaries echoed Garrett's concerns, noting that the GOB's actions were difficult to predict. At this point, executives said, it is impossible to determine how company operations might be affected.

¶4. (SBU) Comment: Morales' announcement sparked renewed fears of GOB intervention in the mining sector and caused executives to question GOB officials' past assurances that the Morales administration would not nationalize the mining industry. U.S. company representatives are concerned about possible changes, but as one executive noted, they also recognize that Morales' announcements often have little impact. Until they know more about the GOB's intentions, executives can do little more than watch and wait. End summary.

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